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June 7, 2007

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Indiana Senate
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Dear Speaker Bauer, House Minority Leader Bosma, President Pro Tempore Long, and Senate Minority Leader Young:

I submit for your review this Supplemental Report to our Budgetary and Functional Review of Executive Branch Agencies and Instrumentalities submitted on December 5, 2006 pursuant to your request outlined in **P.L. 246-2005, Section 255**.

I welcome any questions you have regarding this report and look forward to discussing it with you.

Sincerely,

Cristopher R. Johnston
Executive Director, Government Efficiency and Financial Planning (GEFP)

CC: Governor Mitchell E. Daniels, Jr.



Supplemental Report

Budgetary and Functional Review of Executive Branch Agencies and Instrumentalities

June, 2007

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Introduction

Consistent with Governor Daniels' objectives, the Indiana General Assembly requested (through Section 255 of Public Law 246–2005) that the Office of Management and Budget (OMB) review the budget and function of each executive department, agency, and instrumentality of state government for the purpose of finding efficiencies that might yield significant cost savings, and make recommendations for budgetary reforms and spending reductions throughout state government.

OMB developed a measurement tool called the PROBE (Program Results: an Outcome-Based Evaluation) in order to ascertain the effectiveness of Indiana state programs in achieving desired results and outcomes while considering the efficiencies in which program services are delivered. In December 2006, OMB issued a comprehensive report detailing findings resulting from an eighteen- month performance review and evaluation of state government operations.*

There were more than 900 program-related fund centers across 73 executive branch agencies and departments that received appropriations for the 2005-2007 biennium. In order to implement the broad scope of the legislative directive while still at a level of detail to be meaningful, OMB decided to focus on the programs for which executive branch agencies and departments are responsible. Therefore, 420 programs matching this criterion were reviewed for the report.

However, as the report noted, the PROBE documentation was still being completed for several agencies. This supplemental report contains OMB's PROBE findings and recommendations for those agencies: Family and Social Services Administration (FSSA), Department of Child Services (DCS), Indiana Housing and Community Development Authority (IHCDA), the Indiana School for the Blind, the Indiana School for the Deaf, and the Department of Education (DOE). While the DOE is not deemed an executive branch agency, the Superintendent of Public Instruction acknowledged that omitting its programs from such a review would be a significant oversight. OMB thanks the Superintendent and the DOE staff for the cooperation and openness in which the program reviews were conducted.

Themes

OMB categorized its findings in the original report according to six separate themes. These themes, particularly the first four, are revisited in this supplemental report's findings.

1. *Is Indiana State Government One Big "Faith-Based" Program?* For the most part, Hoosier taxpayers and citizens have had to take it on faith that their government is operating in an effective and efficient manner.
2. *Would You Like to Super Size That?* Unchecked growth in government leads to a bloated, unaccountable, and disorganized governmental structure that places an undesirable burden on Hoosier taxpayers and citizens.
3. *Would You Do That with Your Money?* In many instances the state is spending tax dollars without any rhyme or reason – indicative of a situation where it is somebody else's money being spent.

* For more detailed information on the PROBE and the underlying guiding philosophy, please see the comprehensive report entitled, "2006 Report: Budgetary and Functional Review of Executive Branch Agencies and Instrumentalities." The report can be viewed and downloaded at: <http://www.in.gov/omb/gefp/2006PROBEReport-Full.pdf>.

4. *Are Dinosaurs Really Extinct?* Government programs seem to operate in a vacuum given their ability to successfully resist change. And when faced with obsolescence, government programs have an uncanny ability to generate new endeavors in order to justify their continued existence.
5. *Why Buy Two When One Will Do?* Shared services between agencies or departments frees up scarce resources which allows them to focus on their core business and on their customer needs, while providing organizational flexibility to have the administrative back-office structures independent of front-line activities.
6. *What's Wrong with Competition If the Taxpayer Wins?* State government has opportunities to compete internal commercial functions against the private sector to drive improved service and save taxpayers' money.

In this supplemental report, OMB has made an explicit effort to avoid duplicating ideas and examples that appeared in the comprehensive report. As a result, the findings and themes in this supplement will contain new examples, but the introductions and explanations have been substantially shortened.

Last But Certainly Not Least

The comprehensive report issued in December contained findings on 85% of the funding centers subjected to the PROBE. Although this supplemental report contains the remaining 15%, these programs account for approximately 60% of the entire state budget. In other words, this supplemental report may represent a minority of the total programs PROBE'd, but it represents the majority of taxpayer dollars Indiana state government spends in a year.

Arguably, it is this 15% of the remaining programs that represents the most important services state government administers. Education, welfare, health services, and child services embody the human condition. That is, these areas of state involvement are the most critical with respect to the individual quality of life for Hoosiers today, as well as the opportunity for our younger citizens to realize a successful tomorrow.

These programs should probably receive an even greater degree of scrutiny because they directly impact the health and well-being of millions of individual Hoosiers and their families. For too long success has been measured for these programs in terms of how much money is spent. Too little attention has been focused on whether or not demonstrable results were being bought with the money.

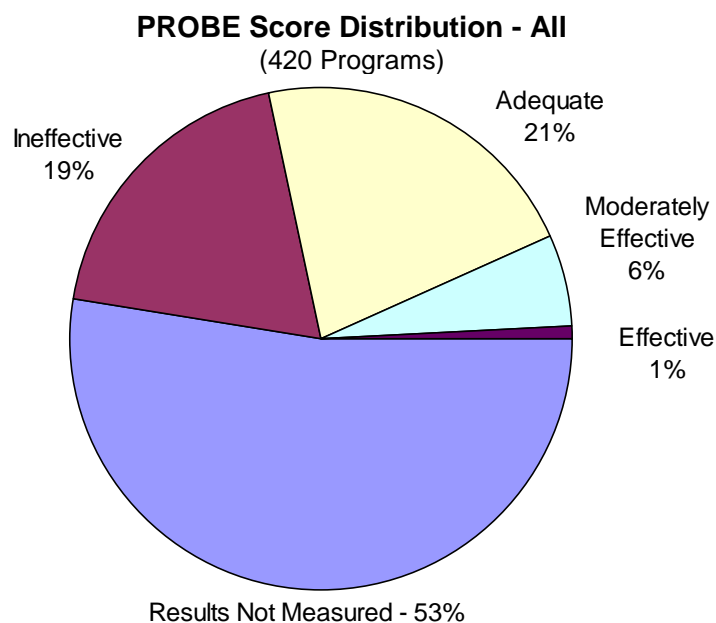
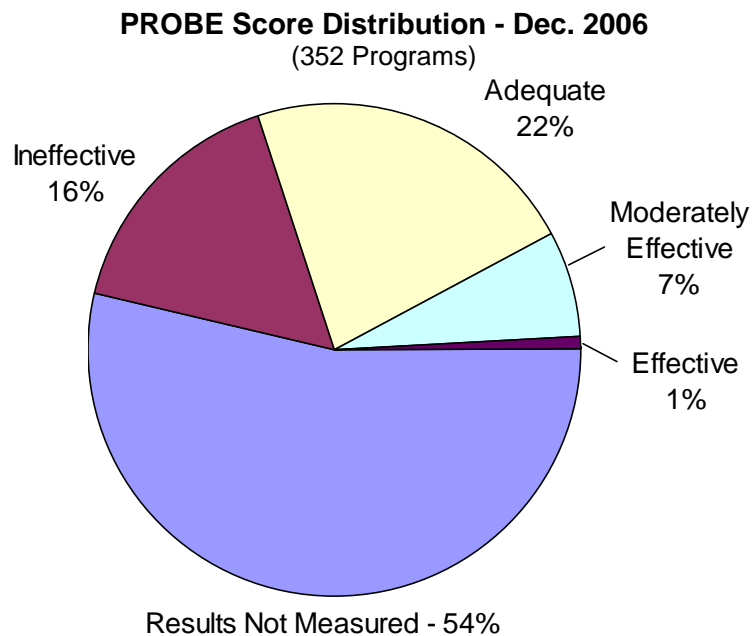
It means nothing if increased spending on these "human" programs results in little or no progress for the lives affected by them. Throwing money at government programs year after year without accountability or measurement of results isn't just a disservice to taxpayers – it is a disservice to those served by the programs. Therefore, this supplemental report should be viewed as an opportunity to help make Indiana state government both a conscientious steward of taxpayer dollars *and* an effective means for educating and ensuring the welfare of our citizens.

Spending other peoples' money is easy – making sure those dollars are helping the intended beneficiaries requires significant effort.

Findings and Themes

Is Indiana State Government One Big “Faith-Based” Program?

The results for the agencies and programs included in this supplemental report closely mirror the results for the more than 350 programs included in the comprehensive report. More than half of all programs PROBE'd lack outcome-based performance measures, and thus cannot demonstrate results.



It is important to note that the three agencies whose programs comprise most of this report – the Family and Social Services Administration (FSSA), Department of Child Services (DCS), and Department of Education (DOE) – are different than many of the agencies discussed in the comprehensive report. But they are different in a similar way. These agencies are required to collect vast amounts of data for reporting to the federal government. In fact, these agencies are awash in data of varying quality. However, these agencies historically have proven unable to create actionable information from this data.

It is of the utmost importance that these agencies better utilize such information in order to measure the outcomes of their programs. After all, FSSA, DCS, and DOE are responsible for providing services to the state's most vulnerable citizens: children, the elderly, and the needy. Failure to ascertain outcomes can have dire consequences for the Hoosiers whose quality of life is directly impacted by the programs these agencies administer. Moreover, these three agencies account for more than half of all spending by state government. Because these billions of dollars are involuntarily taken from taxpayers, state government has a responsibility to establish precisely what outcomes are being purchased with the money.

Would You Like to Super Size That?

The agencies covered in this supplemental report have a broad range of duties, and are responsible for countless programs of various sizes. The very size and scope of these agencies present unique obstacles. How does an agency stay focused upon its core functions? How does an agency coordinate its various programs and efforts with those of other agencies and programs to maximize the level of services delivered to its customers?

Below are two examples of agencies and programs struggling to balance the need to focus upon their core missions while increasing coordination with the efforts of other agencies:

The Scope of the Department of Education's Mission

Any organization should be able to succinctly describe its mission, or "what we do and for whom we do it." The average Hoosier likely thinks the Department of Education's (DOE) mission is to develop policy and assist local school districts with the delivery of K-12 education. But a closer examination reveals many other tangential activities ranging from adult education to migrant worker outreach to motorcycle training. Although much of this "trying to be all things to all people" is mandated by federal and state regulations, the department should seek to clarify its core mission.

Providing Care/Education to Children with Multiple Disabilities

The Family and Social Services Administration (FSSA), Department of Education (DOE), the Schools for the Blind and Deaf, and other agencies serve children with multiple disabilities. The various programs administered by these agencies have not coordinated sufficiently to provide the most effective care and education for these children. Care for these children can be very expensive, sometimes costing the state over \$150,000 per child per year. Some of these services go beyond what is required by federal law; meanwhile, other applicants remain on long waiting lists.

Recent efforts by FSSA resulted in 3,000 more children receiving childcare vouchers and 650 more people with disabilities receiving services. Despite these efforts, thousands of Hoosiers remain on waiting lists. By coordinating efforts across programs and agencies, the state of Indiana should be able to increase the quality of care provided to these children *and* increase the number of children served. This will require changing the focus from processes and agencies to the various programs' customers: children with multiple disabilities.

Transparency and fiscal accountability are vitally important when billions of dollars are being spent in a matter of weeks, as is the case with the larger agencies reviewed in this report. Taxpayers should have the opportunity to provide input when the possibility of a tax increase is on the table.

In the following example, unbeknownst to Indiana taxpayers, inadequate fiscal accountability is facilitating stealth tax increases:

Tuition Support-Common School Fund

The Common School Fund was created by the Indiana constitution to assist in providing for a general and uniform system of common schools. Indiana law permits the principal of the Fund to be advanced to the lower 40% of school corporations based on assessed value per pupil. The advancement can be used for construction or technology purchases. Principal and interest due the Fund on advancements up to \$15 million is "intercepted" from monthly tuition support. The borrowing school corporation is permitted to levy a debt service rate and transfer the proceeds to its general fund to compensate for this reduction in tuition support. This is one of the few cases where the property tax levy of one fund is permitted to be transferred to another fund. Common School Fund capital projects and the resulting property tax rate impact are not required to be subject to local hearings or School Property Tax Control Board review, which contradicts the mandatory practices of school financing.

Would You Do That with Your Money?

There is a natural tendency for people to spend money less carefully when someone else is paying the bill. Similar to the findings in the comprehensive report, the PROBE found examples of the same themes in these larger agencies.

The following is another example of grants being allocated to local units with negligible oversight of how the localities use the funds, little thought given to what is the most effective means of distribution, and no establishment of grantee expectations:

Youth Service Bureaus

The Department of Child Services funds juvenile delinquency prevention programs administered by Indiana Youth Service Bureaus. Each bureau receives \$35,000 regardless of its overall budget, fund raising capacity, programs delivered, or children served. This annual stipend may be a critical funding source for some of the 35 bureaus and not so for others. Bureaus do not receive funds based on program results or needs. Rather, funds are received as long as the bureaus demonstrate compliance with four program standards, which is determined by the bureaus' own membership network. Unspent funds do not revert to the general fund.

Accumulated fund balances have recently been subject to a competitive bid process for special program needs. Such a hybrid approach could produce a greater impact for all funds invested with the bureaus.

In the following example, the state has been knowingly paying educational expenses for *Ohio* students:

Union County School Corporation

The Union County School Corporation, located in Indiana, and the College Corner Local School District, located in Ohio, have a history of joint operations dating back to the 19th century. In 1995, an agreement was formulated to reorganize the joint district and address conflicts between Indiana and Ohio laws and regulations. The agreement established Union County School Corporation as the Administering District for the joint operation, which is to be governed exclusively by Indiana law unless otherwise expressly provided for in the agreement. The agreement includes a funding formula where College Corner Local School District reimburses a pro rata share of expenses for the education of Ohio students. Inexplicably, this reimbursement is based solely on *locally-funded* expenses and **not total** expenses. As a result, there has been and continues to be no reimbursement to the state of Indiana for yearly tuition support of approximately \$500,000 as the Ohio students are included in the reported average daily membership (ADM). Put simply, Indiana state taxpayers are covering the educational expenses of non-Indiana students.

The following are two more examples of programs where the funding is relatively insignificant and larger funding sources are already available for the program:

Internet Connectivity for Schools and Libraries

The federal Telecommunications Act of 1996 provides for financial assistance to help schools and libraries obtain access to the Internet at discounted rates. This “E-Rate” program is administered by the Universal Service Administrative Company (USAC), which is overseen by the Federal Communications Commission (FCC). The federal government pays a varying percentage of Internet access costs (from 20% to 90%), based on the number of students eligible for the National School Lunch Program and whether the district is in a rural or urban area. In total, Hoosier school corporations receive approximately \$23 million per year through the E-Rate program.

The State of Indiana provides additional funding over and above what the federal government provides. Through the Build Indiana Fund (maintained with riverboat gaming dollars), schools receive another \$2.3 million per year for the same purpose.

Aside from the fact that the state only contributes a tenth of the federal aid, there are other reasons to question the state appropriation. The Internet is no longer an emerging technology which requires a subsidy to incentivize school districts to adopt. Invoices for Internet service more closely resemble a routine electric or gas utility bill. Secondly, any time one entity buys a product service and another entity pays the bill, it increases the likelihood that more of that product or service will be purchased than is actually needed.

Indiana Public Broadcasting Subsidy

The Department of Education (DOE) administers nearly \$2.4 million in funding to Indiana’s eight public television stations and eight public radio stations (only \$100,000 of this goes to the eight public radio stations – \$12,500 a piece). The federal government already provides Indiana’s public broadcasting stations with approximately four times that amount (\$8.2 million in 2005).

Although some may argue that taxpayer supported public television benefits those who cannot afford cable television, viewer surveys show this is not public television’s audience. In fact, public broadcasting stations pitch this fact to potential corporate contributors.

Findings from media surveys have shown that public television viewers are:

- 60% more likely to have a household income above \$75,000.
- 139% more likely to have a graduate degree.
- 98% more likely to be a CEO.
- 132% more likely to have a home valued at \$500,000 or more.
- 315% more likely to have stocks valued at \$75,000 or more.
- 278% more likely to have spent at least \$6,000 on a foreign vacation in the past year.

While the reason the state provides funding for these stations is supposedly educational content, there is no evidence that this usage of state taxpayer dollars does anything to increase educational attainment for Hoosier students.

The PROBE also discerned a theme that was not discussed in the comprehensive report: Funds spent on infrastructure, studies, and technology without first demonstrating what impact these expenditures will have on the outcomes being sought. Perhaps because of its popular connotation with progress, technology in particular is apt to be purchased and deployed without appropriate consideration given as to how its utilization will actually further an agency's mission.

For example:

inACCESS

The state budget allocates \$2.5 million per year for the purchase of computers by local school districts to use in classrooms. DOE has developed a program called inACCESS to minimize the cost of these machines by utilizing open-source software, i.e., Linux instead of Windows. However, the mere presence of computers in the classroom alone does not ensure improvement in the quality of education. Computers are like any other tool and must be applied properly to maximize their value; otherwise they are just a solution looking for a problem. Plans on how computers will be integrated with instructional methods are not routinely developed before the investment in infrastructure is made. Nor have any before and after control studies been put in place to measure the cost/benefit of these expenditures. IDOE has provided no evidence demonstrating a relationship between in-class computer utilization and academic achievement. Additionally, studies on the effectiveness of similar programs conducted nationwide have discerned no relationship. In fact, administrative cost burdens combined with the lack of results is leading an increasing number of schools nationwide to abandon such programs.

Are Dinosaurs Really Extinct?

A United States president once quipped that the closest thing to eternal life on this earth is a government program. Indiana state government contains numerous examples that are testament to the veracity of this perceptive comment. Again, the PROBE discovered numerous examples of variations on this theme that are similar to the findings identified in the comprehensive report.

The following are two more examples of programs that have been statutorily designed in such a way as to prevent them from efficiently and effectively achieving their intended outcomes:

Evansville State Hospital and Evansville Psychiatric Children's Center

In the law that governs the Administration of State Institutions (IC 12-24-1-3), the Indiana General Assembly legislated operational decisions that should be made by managers at the Evansville State Hospital (ESH) and the Evansville Psychiatric Children's Center (EPCC). For example, state law prohibits managers from reducing staffing levels in the facility below that in effect on January 1, 2002, regardless of the number of patients. EPCC is currently operating at 60% of its 28 bed capacity, but is required by statute to maintain a staffing level that assumes full capacity. Even if there were zero children at the EPCC, state law would require that the facility be fully staffed and expenditures would exceed two million dollars annually. The cost per meal at the EPCC is \$8.25, significantly higher than any other State Hospital, because of its small size, high staff to patient ratio, and the prohibition on shared services with Evansville State Hospital. The ESH and the EPCC are the only two institutions that have these operating constraints by law.

De-ghosting in School Funding Formula

In general, tuition support for schools is tied to the number of students (ADM, or Average Daily Membership) in each school district. As such, districts with declining enrollments face decreasing amounts of tuition support. Even though tuition support is intended for variable operational costs and fixed capital costs are paid through other funding sources, schools are not always able to eliminate operational costs immediately. Therefore, districts are still provided partial funding for students who have left the district. This practice is known as "de-ghosting."

However, shrinking school districts have 5 years before funding is completely phased out (i.e., 80%, 60%, 40%, 20%, 0%). Giving schools a half decade to complete a rudimentary operational task inhibits the schools' sense of urgency and creates a disincentive for effective planning and efficient utilization of taxpayer dollars.

Finally, the PROBE found another example of a program that took on a new mission in order to justify or expand its budget because the original mission was obsolete. These programs tend to engage in *mission creep*, often making forays into areas unrelated to their intended task:

Corporation for Education Technology

The Corporation for Education Technology (CET) was created in the late 1980's to run the Buddy Project, an effort to pursue One-to-One Computing. It partnered with computer companies to acquire PC's for school families in their homes. As the price of computers has come down and computers have become more common in households, the need for the Buddy Project diminished. However, the program was rebranded Buddy², and its mission changed into performing research and development in the area of writing instruction.

In addition, CET carries on as a separate 501(c)3 organization, outside the direct oversight of state hiring and spending controls, and receives \$825,000 in annual appropriations. CET had an accumulated cash balance exceeding one million dollars as of the most recent financial statement provided. Disturbingly, CET uses taxpayer money and students to lobby legislators for even *more* taxpayer funding. In addition to direct appeals on its taxpayer subsidized website, CET offers a taxpayer subsidized pizza party to the class that turns out the most legislators at its annual "Rotunda Day" lobbying event.

Appendices

Appendix A: PROBE Review Evaluations

Appendix B: Recommendations

Appendix A: PROBE Review Evaluations

<u>Name of Program</u>	<u>Agency</u>	<u>Purpose & Design</u>	<u>Planning</u>	<u>Management</u>	<u>Results</u>	<u>Rating</u>
Child Care	Family & Social Services	80	25	75	17	Results Not Measured
Community and Home Options (CHOICE)	Family & Social Services	40	25	0	8	Results Not Measured
Residential Care Assistance Program (RCAP)	Family & Social Services	60	25	25	0	Results Not Measured
Temporary Assistance for Needy Families (TANF)	Family & Social Services	60	75	50	8	Ineffective
Hoosier Assurance Plan (HAP)	Family & Social Services	60	75	50	25	Ineffective
Serious Emotional Disturbance (SED) Waiver	Family & Social Services	40	0	0	17	Results Not Measured
Quality Assessment Fee	Family & Social Services	80	0	50	25	Results Not Measured
Waivers, various types	Family & Social Services	60	25	50	33	Results Not Measured
Medicaid Rehabilitation Option	Family & Social Services	60	50	25	33	Ineffective
Program 590	Family & Social Services	20	0	0	0	Results Not Measured
Evansville Psychiatric Children's Center	Family & Social Services	40	0	75	17	Results Not Measured
Vocational Rehabilitation	Family & Social Services	60	75	80	67	Moderately Effective
First Steps	Family & Social Services	60	25	75	33	Ineffective
Child Protection and Welfare Services	Child Services	60	100	50	8	Ineffective
Youth Service Bureaus	Child Services	40	25	25	8	Results Not Measured
Healthy Families	Child Services	80	50	50	33	Adequate
Kids First/Community Based Child Abuse Protection	Child Services	80	75	25	0	Results Not Measured
Child Support	Child Services	40	100	50	25	Ineffective
School for the Blind and Visually Impaired	School for the Blind	40	25	50	8	Results Not Measured
School for the Deaf	School for the Deaf	40	25	25	17	Results Not Measured
Accreditation and Professional Development	Education	60	0	50	33	Results Not Measured
Adult Education	Education	60	25	50	33	Results Not Measured
Adult Vocational Education	Education	40	0	50	8	Results Not Measured
Advanced Placement	Education	60	50	25	8	Ineffective
Alternative Schools	Education	60	50	75	33	Adequate
Assessment and Remediation	Education	60	0	75	42	Results Not Measured
Career and Technical Education	Education	80	50	75	25	Adequate
Drug-Free Schools	Education	40	0	0	0	Results Not Measured
Education Service Centers	Education	60	0	50	17	Results Not Measured
Educational Technology	Education	40	50	50	17	Ineffective
General Educational Development (GED)	Education	80	50	75	17	Adequate
Gifted & Talented	Education	60	0	50	17	Results Not Measured
inACCESS	Education	60	0	50	33	Results Not Measured
Learn and Serve Indiana	Education	80	100	75	25	Adequate
Motorcycle Safety	Education	60	50	50	33	Ineffective
Non-English Speaking	Education	60	0	25	8	Results Not Measured
Principal Leadership Academy	Education	40	0	25	8	Results Not Measured
Professional Standards - Licensing	Education	60	50	50	17	Ineffective
Professional Standards - Testing/Induction/Continuing Education	Education	80	0	75	8	Results Not Measured
Preliminary Scholastic Aptitude Test (PSAT)	Education	60	50	50	17	Ineffective
Reading Diagnostic	Education	60	25	75	33	Ineffective
School Health and AIDS/HIV Prevention	Education	80	50	50	17	Ineffective

<u>Name of Program</u>	<u>Agency</u>	<u>Purpose & Design</u>	<u>Planning</u>	<u>Management</u>	<u>Results</u>	<u>Rating</u>
School Lunch	Education	80	0	60	25	Results Not Measured
School Safety Specialist Academy	Education	80	50	75	33	Adequate
School Traffic Safety	Education	60	50	40	17	Ineffective
Special Education	Education	80	100	75	33	Adequate
Special Education - Community Supported/Residential (S-5)	Education	20	0	25	17	Results Not Measured
Special Education - Preschool	Education	80	100	50	17	Adequate
Summer School	Education	60	0	50	8	Results Not Measured
Textbook Reimbursement	Education	80	25	50	25	Results Not Measured
Tuition Support	Education	60	0	50	17	Results Not Measured
Title I - Disadvantaged	Education	80	50	75	17	Adequate
Title I (Part A) - School Improvement	Education	40	50	75	17	Ineffective
Title I (Part B-1) - Reading First	Education	80	100	50	25	Adequate
Title I (Part B-3) - Even Start	Education	40	50	50	17	Ineffective
Title I (Part C) - Migrant	Education	80	0	75	25	Results Not Measured
Title I (Part D) - Neglected and Delinquent	Education	80	50	50	8	Ineffective
Title II (Part A) - Teacher Quality	Education	40	100	50	8	Ineffective
Title II (Part B) - Math & Science Partnership	Education	40	50	0	17	Ineffective
Title II (Part D) - Enhancing Education through Technology	Education	60	50	75	25	Ineffective
Title III - Limited English Proficiency	Education	80	75	50	8	Ineffective
Title IV (Part A) - Safe & Drug-Free Schools	Education	40	100	25	25	Ineffective
Title IV (Part B) - 21st Century Community Learning Centers	Education	60	50	50	17	Ineffective
Title V (Part A) - Innovative Programs	Education	20	0	50	0	Results Not Measured
Title V (Part B) - Charter Schools	Education	80	100	75	33	Adequate
Title X (Part C) - Homeless	Education	60	75	75	25	Adequate
Individual Development Accounts	Housing & Community Development	60	25	50	8	Results Not Measured

Appendix B: Recommendations

Organizational Recommendations

The growth in state government's size and scope has led to a highly decentralized, confusing, and often unmanageable structure, with many separate entities performing the same or similar functions. This section provides a few examples which, if implemented, could help simplify state government's structure and provide more accountability.

Elimination of Program or Funding

- 1) Eliminate the \$250,000 fund center for Adult Vocational Education within the Department of Education (DOE), which subsidizes night classes at career centers. The program is already administered by the Department of Workforce Development (DWD). DOE's only role is to distribute checks to local providers. DWD has sufficient federal funds to achieve this mission.
- 2) Eliminate \$350,000 appropriation from state excise taxes for special education, as it is insignificant when compared to the federal funds available (more than \$223 million).

Transfer of Programs

- 3) Reduce the total number of Department of Education (DOE) programs and transfer funds to tuition support for school districts to spend on operating costs as they see fit. Candidates for transfer include:
 - a) The \$72,000 general fund appropriation for Drug Free Schools. The federally funded Drug Free Schools and Communities program already provides \$6 million for these efforts.
 - b) The \$1 million for the Indiana Reading Diagnostic Assessment (IRDA). The state currently provides IRDA materials to elementary schools at no cost, but only about one-third take advantage of the program. Allow individual school districts to choose between IRDA and other assessment tools which are available.
 - c) The \$3.5 million to schools (and libraries) for Internet connectivity.
 - d) The \$1.3 million for educational technology. School districts could continue to obtain assistance from DOE in writing technology plans on a fee for service basis if they choose, they could prepare them internally, or they could acquire services from external consultants.
 - e) The \$2.5 million for the inACCESS program. School districts are also already permitted to borrow from the Common School Fund (1%) to fund computer purchases.
- 4) Move the Motorcycle Safety program from the Department of Education (DOE) to the Office of Traffic Safety within the Indiana Criminal Justice Institute (ICJI).
- 5) Transfer responsibility for the Indiana Principal Leadership Academy from the Department of Education (DOE) to the Indiana Association of School Principals.
- 6) Encourage schools to develop plans for how methods of instruction will be enhanced prior to the purchase of technology. The mere presence of computers in the classroom will not result in improved academic achievement unless the technology is integrated in the curriculum. Otherwise, school districts risk buying technology for technology's sake.

- 7) Transfer funding from the Corporation for Education Technology (CET) to support the Education Technology Council's (ETC) long range plan. CET no longer addresses its original mission of one-to-one computing. The ETC's plan focuses on the higher-leverage issue of utilizing technology to change the way teachers teach and students learn.
- 8) Discontinue practice of paying for PSAT and math/science Advanced Placement (AP) tests for every participating high school student, regardless of income. Use funds to pay for AP tests for low-income students (who already receive a partial federal subsidy) in all subject areas (e.g., English, social studies, etc.).
- 9) Transfer state appropriation for summer school to a fund for remediation. Give school districts the flexibility to provide for remediation however best meets their local needs.

Statutory Recommendations

State laws must be revisited periodically to evaluate whether they are helping fulfill their original purposes or needs, and whether they are still necessary. As such, many of the opportunities to make state government more accountable require legislative change. This section provides a few examples of statutes or sections of the administrative code that should be reviewed, amended, or repealed.

- 10) Modify state regulations which currently mandate districts receive an identical distribution per student enrolled in an alternative school (over and above tuition support). Direct the State Board of Education to develop procedures to tie grant amounts to performance measures and individual student profiles.
- 11) Re-examine law which places various funding streams into different silos in an effort to provide school districts incentives to reduce costs in non-academic instruction areas. For instance, savings on transportation cannot be used to support classroom teaching at this time. (Operating and capital funds should remain as separate levies.)
- 12) Eliminate loophole that allows school corporations to avoid the traditional public input processes for capital projects funded by the Common School Fund. School corporations are permitted to levy a debt service rate and transfer funds to the general fund to cover the annual cost of borrowing from the Common School Fund which is initially paid from tuition support dollars. Capital projects and their property tax impact are usually subject to the petition remonstrance process and school property tax control board reviews.
- 13) Reduce length of the de-ghosting period of students in the school funding formula. Currently, schools with decreasing enrollments are reimbursed for the phasing out of students over a period of 5 years (i.e., 80%, 60%, 40%, 20%, 0%).
- 14) Review licensing fees for the Department of Education (DOE) as the fees do not cover the cost to administer this program.
- 15) Localize the training of bus drivers (e.g., to Education Service Centers). This is a local issue that does not require the Department of Education's involvement.
- 16) Review the federal and state definitions of "group homes" and "institutions." It may be possible for the Office of Medicaid Policy and Planning (OMPP) to serve more Hoosiers by implementing cost saving measures (such as living in group homes).

- 17) Amend IC 12-24-1-3 to enable the Evansville State Hospital and Evansville Psychiatric Children's Center (EPCC) to operate more efficiently and effectively. The General Assembly has legislated management decisions, which contributes to costs exceeding \$200,000 per child annually at the EPCC.
- 18) Review fees for the Child Care program under IC 12-17.2-2-2 (7: A-D). It is unclear if current fees cover the cost of administering the licensing and inspection program.
- 19) Amend legislation regarding the CHOICE (Community and Home Options to Institutional Care for the Elderly and Disabled) program to require a Medicaid Fail First policy in order to utilize available federal funds. Currently, the CHOICE program is funded solely with General Fund dollars.
- 20) Review the asset limit (\$500,000) associated with the CHOICE program (IC 12-10-10-4). Also review residency requirements to ensure the program serves its intended recipients.

Operational Recommendations

Many of the opportunities to make state government more transparent and results-based can be implemented operationally and immediately, without statutory change. Although hundreds of opportunities still exist throughout state government, this section discusses a few examples identified during the PROBE process. Operational recommendations are divided into three categories: 1) Improved Efficiency or Effectiveness Opportunities, 2) Shared Services Opportunities that would require agencies to share and re-use state assets, and 3) Competitive Sourcing Opportunities for predominantly commercial activities performed by state government that should be subjected to competition to ensure the most cost effective delivery of those services.

Improved Efficiency or Effectiveness Opportunities

- 21) Increase collaboration on adult education between the Department of Education (DOE) and the Department of Workforce Development (DWD) as both agencies have similar programs which serve the same target audience.
- 22) Evaluate the merits and program impact of using funds from the Temporary Assistance for Needy Families block grant for the state's contribution to the Individual Development Account program. It is permitted by Indiana law and is used in other states.
- 23) Encourage the Department of Education (DOE), the Family and Social Services Administration (FSSA), Department of Child Services (DCS), Department of Correction (DOC), and the Deaf & Blind Schools to collaborate in order to develop a holistic approach to treating high needs Hoosiers who suffer from mental illness, developmental disabilities, or physical ailments. In many cases, the level of care exceeds federal requirements while in other cases those on waiting lists receive no care at all.
- 24) Change Community Supported/Residential Special Education (S-5) funding to require local districts to pay some percentage of these services. Currently, parents, teachers, and representatives from school districts make all decisions regarding special education students, and thus there is little incentive to contain costs since the Department of Education (DOE) funds the program over and above what the local district would pay for a typical student.

- 25) Explore the Missouri model for providing educational opportunities for non-violent juvenile offenders currently within the Indiana Department of Correction (DOC). In Missouri, non-violent juvenile offenders are not under the jurisdiction of the Department of Correction. Instead, the Division of Youth Services has been charged with the care and treatment of delinquent youth. This division offers smaller, therapeutically focused centers located within driving distance of the children's families and homes. By removing these juveniles from a prison setting, it may be possible to achieve better results and leverage additional federal dollars. The DOC and Department of Education (DOE) should research this area and collect best practices.
- 26) Encourage those under 18 to pursue schooling through the alternative education program so that adult education funds are utilized for adults. Indiana has a high percentage of adult education program participants who are 16 and 17 years old.
- 27) Establish deadlines for school districts, as well as all other local taxing units, to transition to double-entry accounting systems. The State Board of Accounts must serve in a leadership role in this transition for local units of government.
- 28) Streamline multiple teacher license renewal plans into one plan to eliminate the challenge of administering multiple plans.
- 29) Limit the number of times a teacher can take the content exam for initial license within a defined period of time. Currently, teachers can re-take tests as many times as needed to pass.
- 30) Better coordinate the care for developmentally disabled citizens as both the Family and Social Services Administration (FSSA) and the Department of Education (DOE) provide services at different points in their lives (FSSA from birth-2, DOE from 3-21, then back to FSSA from 22-death). These "hand-offs" between agencies increase the chances of citizens not receiving quality care unless concerted efforts are made to coordinate activities.
- 31) Increase coordination between the Family and Social Services Administration (FSSA) and the Indiana State Department of Health (ISDH) for quality of care reviews and audits of the Medicaid Rehabilitation Option (MRO).
- 32) Implement quality assurance program/division within the Family and Social Services Administration (FSSA) or the Indiana State Department of Health (ISDH) to measure quality of care provided by nursing home facilities consistent with the intent of the Quality Assessment Fee (QAF) program.
- 33) Implement long-term tracking of clients after they have left the Evansville Psychiatric Children's Center (EPCC) to determine if the desired long-term outcomes are being achieved.
- 34) Implement a care management strategy for the Hoosier Assurance Program (HAP) within the Family and Social Services Administration (FSSA) to ensure that quality services are delivered in a consistent and cost effective manner.
- 35) Require Area Agencies on Aging to conduct a face-to-face interview and verify financial eligibility for the CHOICE program. Some agencies simply take information over the phone and then grant eligibility. Review the eligibility of CHOICE clients on a regular basis to determine if the individuals are still eligible for services.
- 36) Continue with de-institutionalization of clients in state hospitals where appropriate, as this process enables the Family and Social Services Administration (FSSA) to serve 2 Hoosiers for every 1 person de-institutionalized.

- 37) Evaluate alternatives for Senior Meals, both at congregant sites and Meals on Wheels. These are currently averaging \$6.28 per meal. Alternatives could include restaurant vouchers, partnerships with school or hospital cafeterias, and statewide or regional contracts with private meal producers where available.
- 38) Incorporate a competitive element for Youth Service Bureau grants in the Department of Child Services to promote greater program impact than just providing operational support.
- 39) Review the business model for the delivery of services at the Indiana School for the Blind & Visually Impaired and the Indiana School for the Deaf. Because of changes in federal law, the increased availability of resources in local districts, and the belief that this constituency can be better served in the home community, the state should reevaluate whether a pre-Civil War model is the most efficient and effective way to reach intended beneficiaries. Options to consider include but should not be limited to regionalization through coordinated outreach services, incentives to the disabled child's home school corporation, offering only day school and/or short term programs, and a charter school structure.
- 40) Continue transition of child welfare levy to better link funding with management responsibility.

Shared Services Opportunities

- 41) Reconfigure internal auditing from an agency-by-agency function to a shared services model similar to technology services provided by the Indiana Office of Technology.
- 42) Encourage school corporations to participate in their regional Education Service Centers (ESCs). At the same time, demonstrable results and benefits of such participation must be shown by ESCs.
- 43) Strategically source:
 - a) transportation functions covered by Medicaid.
 - b) textbooks.
 - c) scholastic testing.
 - d) procurement of school buses on behalf of all schools to obtain best-in-class pricing after the State School Bus Committee sets the specifications for school buses.
- 44) Examine and encourage shared child support enforcement services where opportunities for caseload management and performance improvement exist in the counties.

Competitive Sourcing Opportunities

- 45) Competitively source child support enforcement functions where opportunities exist for improved caseload management and performance.
- 46) Competitively source the processing of licenses function within the Department of Education (DOE).
- 47) Competitively source the licensing and inspection of child care facilities for building plans and safety compliance.